

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

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TO SECSTATE WASHDC 700

INFO AMEMBASSY GUATEMALA

AMEMBASSY MEXICO

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AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS MANAGUA 3527

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TAGS: ETRD, EFIN, NU

SUBJECT: PROJECTED TRADE BALANCE FOR NICARAGUA IN 1976

REF: MANAGUA A-39

1. THE CENTRAL BANK OF NICARUGUA HAS MADE SOME PRELIMINARY PROJECTIONS FOR IMPORTS AND EXPORTS FOR 1976, BASED ON DATA AVAILABLE FOR THE FIRST HALF OF THE YEAR AND ASSUMPTIONS ON THE PERFORMANCE OF THE ECONOMY FOR THE SECOND HALF OF 1976. IT NOW APPEARS THAT NICARAGUA'S BALANCE OF TRADE WILL END 1976 MORE OR LESS IN BALANCE, IN SHARP CONTRAST TO THE HUGE DEFICITS OF THE PAST THREE YEARS.

2. THIS YEAR FOR THE PERIOD JANUARY-JUNE IMPORTS (CIF) TOTALED US\$218 MILLION WHILE EXPORTS (FOB) AMOUNTED TO \$295 MILLION. THIS CONTRASTS WITH THE UNCLASSIFIED

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JANUARY-JUNE PERIOD FOR 1975 WHEN IMPORTS WERE

\$257 MILLION AND EXPORTS WERE \$217 MILLION. THE TRADE SURPLUS OF \$77 MILLION FOR THE FIRST HALF OF THIS YEAR DOES NOT MEAN THAT NICARAGUA WILL HAVE A HUGE TRADE SURPLUS FOR THE YEAR, SINCE EXPORT EARNINGS ARE TRADITIONALLY SLOW IN THE SECOND HALF OF THE YEAR AND IMPORTS WILL MOST LIKELY PICK UP AS THE ECONOMY CONTINUES TO RECOVER FROM THE 1975 RECESSION. CENTRAL BANK ECONOMISTS BELIEVE THAT NICARAGUA'S IMPORTS AND EXPORTS WILL END UP MORE OR LESS IN BALANCE. A SPECIFIC ESTIMATE OF IMPORTS AND EXPORTS FORECASTS IMPORTS (CIF) OF \$470 MILLION AND EXPORTS (FOB) OF \$473 MILLION. THE FINAL RESULTS COULD, AND PROBABLY WILL, VARY FROM THESE ESTIMATES, BUT IT IS SAFE TO SAY THAT THERE WILL NOT BE A LARGE TRADE DEFICIT IN 1976.

3. FIGURES SUMMARIZING FOREIGN TRADE FOR THE PAST THREE YEARS PLUS 1976 ESTIMATES IS PRESENTED BELOW (MILLION DOLLARS):

	1973	1974	1975	1976(P)	
EXPORTS (FOB)		277.9	380.9	375.2	472.5
IMPORTS (CIF)		327.0	561.7	516.9	470.0
TRADE BALANCE		-49.1	-180.8	-141.7	2.5

(P) - PROJECTED

SOURCE: BANCO CENTRAL DE NICARAGUA

4. THE PROJECTION FOR IMPORTS IN 1976 OF \$470 MILLION IS A VERY SHARP DOWNWARD REVISION FROM CENTRAL BANK ESTIMATES SIX MONTHS AGO. EARLIER THIS YEAR THE CENTRAL BANK PROJECTED IMPORTS OF \$525 MILLION, AND COMBINED WITH THEIR PROJECTION OF EXPORTS OF ONLY \$430 MILLION, THIS LED TO A PROJECTED TRADE DEFICIT OF \$130 MILLION. THE EARLIER EXPORT PROJECTIONS DID NOT TAKE INTO CONSIDERATION ALL OF THE LARGE PRICE RISES FOR NICARAGUA'S PRINCIPAL EXPORTS SUCH AS COFFEE, COTTON, BEEF, AND SHELLFISH. AT THE SAME TIME, THE EARLIER IMPORT PROJECTIONS DID NOT CORRECTLY TAKE INTO CONSIDERATION THE LARGE INVENTORIES THAT EXISTED IN NICARAGUA AT THE END OF 1975 AS A RESULT OF THE RECESSION. THE EARLIER IMPORT PROJECTIONS MAY ALSO HAVE BEEN

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BASED ON A STRONGER ECONOMIC RECOVERY; INSTEAD THE NICARAGUAN ECONOMY IS REACTING ONLY SLOWLY TO THE INFLOW OF EXPANDED EXPORT EARNINGS, AND ECONOMIC RECOVERY IS TAKING PLACE VERY GRADUALLY. CENTRAL BANK ECONOMISTS FEEL WE MAY ALSO BE SEEING A RETURN TO NORMALCY FOLLOWING SEVERAL YEARS OF EARTHQUAKE-INSPIRED HIGH LEVELS OF IMPORTS. IN ANY CASE, NICARAGUA WILL IN 1976 APPARENTLY NOT HAVE ANOTHER \$100 MILLION PLUS

TRADE DEFICIT, WHICH SHOULD BE GOOD NEWS TO THOSE WHO
HAVE BECOME CONCERNED ABOUT NICARAGUA'S BALANCE OF
PAYMENTS AND ITS ABILITY TO SERVICE ITS FOREIGN DEBT.
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